

	<h2>Urgency Committee</h2> <p>15th October 2018</p>
Title	Council Tax Support 2019/20 – Revision to Council Tax Reduction Scheme
Report of	The Leader of the Council
Wards	All
Status	Public
Urgent	Yes (see section 1.2)
Key	No
Enclosures	Appendix A – CTRS Modelling Analysis and Report
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<h3>Summary</h3>
<p>This paper provides information relating to the proposal of a new Council Tax Support scheme, to be introduced in April 2019 which will bring Council Tax Support in line with Universal Credit and achieve required savings against the current costs of the scheme.</p> <p>The report seeks support from members on the recommended scheme and approval to consult on the proposal.</p>
<h3>Officers Recommendations</h3>
<p>The report recommends that the Committee:</p> <ol style="list-style-type: none"> 1. Note the findings within Appendix A, provided by Policy in Practice. 2. Approve a public consultation to run for 6 weeks from 17 October 2018 to 27 November 2018. 3. Delegate authority to the Deputy Chief Executive to approve the consultation documentation and process to ensure that it explains the impact of the changes, allows consultation with the general public and particularly those in

receipt of Council Tax Support and contains information on why other options have been discounted.

- 4. Delegate authority to the Deputy Chief Executive to approve the draft scheme in accordance with the principles outlined in Model 5 to be published on or before the start of the consultation.**
- 5. That the results of the consultation be reported back to the Policy & Resources Committee on 11 December 2018 for referral to Full Council.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The London Borough of Barnet is considering replacing its current Local Council Tax Reduction Scheme (LCTRS) in 2019/20. The Council has four primary objectives:
 - To move towards a scheme that is more adaptable to Universal Credit (UC) regulations.
 - To mitigate against expected increases in administration costs under UC.
 - To provide opportunity for better collection levels by reducing the monthly rebilling of Council Tax for UC claimants.
 - To reduce the overall scheme costs.
- 1.2 There is a requirement for Urgency Committee to consider this paper given that the date to begin consultation is prior to the next scheduled Policy and Resources Committee. The final scheme requires approval of full council and this decision needs to take place at the scheduled 18 December 2018 meeting to allow sufficient time to implement any changes if the scheme is approved.
- 1.3 Currently, 27,376 households receive Council Tax Support in Barnet. Of these, 19,146 are working-age households and 8,230 are pension-age households. The council is required to maintain the current scheme for pension-age households and therefore the changes only affect working age claimants.
- 1.4 With the introduction of UC there is a significantly higher volume of income recalculations for those receiving LCTRS, therefore increasing resources required to administer the scheme.
- 1.5 Maintaining the current scheme into 2019/20 would not only mean that cost reductions could not be realised, but would also increase scheme cost slightly from £23.93m in 2017/18 to £23.99m in 2019/20. This is an increase in cost of £66,389 or 0.3%.

Current Position

- 1.6 The current scheme is based on the Default scheme. This is a complex means-tested scheme with certain types of income compared to a needs allowance which is itself calculated by reference to household circumstances. Since 2012/13, local authorities were permitted to determine their own local scheme for reductions in council tax to replace the council tax benefit scheme. There is a prescribed scheme for pensioner households whereas local authorities are free to determine an appropriate local scheme for working-age households.
- 1.7 For working-age households, Barnet Council has maintained the 2013 scheme and has updated it in line with default regulations, with the exception of the family premium which has been retained.

1.8 Cost of current scheme

Cost of current scheme			
Age group	Number of households	council tax support (£/annum)	council tax support (£/week)
All working age	19,146	£14,832,579	£14.90
Pension age	8,230	£9,093,746	£21.25
Total	27,376	£23,926,325	£16.81

Current council tax support cost and level of support

2. REASONS FOR RECOMMENDATIONS

Proposed Scheme

- 2.1 Having considered four new modelling options it was concluded that the introduction of a banded scheme was the preferred option against the stated objectives. Those being stated in paragraph 1.1.
- 2.2 A summary of the 3 banded schemes considered can be seen in the table below.

Banded Schemes Considered
<p style="text-align: center;">Model 3</p> <p>This model introduces an income banded scheme, with the aim of reducing total annual council tax support costs by £2m compared to current scheme costs (2018/19). Households' income is assessed exclusively on the basis of their earnings. The following amendments have been introduced:</p> <ul style="list-style-type: none"> • Households' income is assessed exclusively on the basis of their earnings. • The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits. • The capital limit is lowered from £16,000 to £6,000 • Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w • The discount awarded will be based on the following bandings

Band	Discount off CT liability	Earnings threshold (monthly)	No. households in band
1	76%	No earnings	10,241
2	60%	<£500	795
3	52%	£500.01-£800	3,395
4	42%	£800.01-£1100	1,629
5	32%	£1100.01-£1400	2,506
6	22%	£1400.01-£1700	262
7	12%	£1700.01-£2000	127

Model 4

This model is similar to model 3, it is an income banded scheme, with the aim of reducing total annual council tax support costs by £2m. It differs from model 3 in that instead of discounting proportions of claimants' liabilities, this model introduces fixed amount discounts. This model has similar scheme characteristics as model 3:

- Households' income is assessed exclusively on the basis of their earnings.
- The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits.
- The capital limit is lowered from £16,000 to £6,000
- Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w
- This discount awarded will be based on the following bandings

Band	Discount off CT liability	Earnings threshold (monthly)	No. households in band
1	£18.5	No earnings	10,241
2	£16	<£500	795
3	£14	£500.01-£800	3,395
4	£12	£800.01-£1100	1,629
5	£9	£1100.01-£1400	2,506
6	£6	£1400.01-£1700	262
7	£4	£1700.01-£2000	127

Model 5

This model is the same as model 3 but has been designed to reduce total annual council tax support costs by £3.2m achieved by reducing the discount within each band:

- Households' income is assessed exclusively on the basis of their earnings.
- The Minimum Income Floor applies to all self-employed claimants, both on Universal Credit and on legacy benefits.
- The capital limit is lowered from £16,000 to £6,000
- Non-dependant deductions are simplified with the introduction of two flat rates of £5p/w and £11 p/w
- This discount awarded will be based on the following bandings

Band	Discount off CT liability	Earnings threshold (monthly)	No. households in band
1	72.00%	No earnings	10,241
2	52.00%	<£500	795
3	44.00%	£500.01-£800	3,395
4	36.00%	£800.01-£1100	1,629

5	28.00%	£1100.01-£1400	2,506
6	20.00%	£1400.01-£1700	262
7	12.00%	£1700.01-£2000	127

- 2.3 A banded model will be simpler for residents to understand and any future changes to the value of awards can be achieved by simply adjusting the banding thresholds, thus negating the requirement for a full review of the scheme.
- 2.4 Income banding schemes have been introduced into various Local Authorities across the country with the objective of creating savings and reducing work volume. There is anecdotal evidence that the objectives of such a scheme have been achieved.
- 2.5 Model 3 and 4 of Appendix A was therefore considered in closer detail with Model 3 being the preferred option owing to the lower social impact. More details on the social impact can be found in Appendix A for each model.
- 2.6 At its meeting on the 6th March 2018, Full Council approved the MTFs and detailed revenue budgets which included an assumption of additional income relating to a change in the Council Tax Support Scheme for 2019/20. Full Council also approved a change in financial strategy and seeks to balance its resources recurrently, ceasing to utilise reserves to fund ongoing expenditure.
- 2.7 Following a further review of the Council's financial position at the July 2018 Policy and Resources Committee, the requirement to identify further savings or increased revenue was noted. Within the MTFs considered at the Committee, a funding deficit of £9.8m was identified. This was after an assumption of increasing Council Tax by the maximum allowed under regulation. This also assumed all currently proposed savings were fully achieved and that the adverse budget variance for 2018/19 was fully resolved.
- 2.8 The Policy and Resources Committee considered a forecast of the Council's reserves position in June 2018. This highlighted that non-ringfenced revenue reserves were anticipated to reduce from £41.5m to £7.5m by the end of 2019/20. Clearly this level of reduction is unsustainable and action is required to reduce the draw on reserves going forward.
- 2.9 As a result of the financial position set out within the June and July 2018 Policy and Resources papers a wide range of additional savings are required in order to balance the 2019/20 budget. As a way of reducing to this funding deficit, a further reduction of £0.6m in the cost of the LCTRS is proposed for consideration.
- 2.10 Currently the Council has an in-year collection rate for those receiving LCTRS of 90%. On considering the comments regarding arrears within section 8 of

Appendix A it is recognised that there is potential for a lower collection rate from those receiving less generous awards of LCTRS. Taking this into account and assuming a collection rate of 85% the scheme costs would have to be reduced by £3.2m for the Council to achieve a £2m reduction in cost after allowing for our major preceptors share. Please see below table which gives a breakdown of how the current Council Tax is shared between the council and GLA.

Council Tax Payable			
Valuation Band	2018/2019 Charge	Barnet Receives	GLA Receives
A	£989.04	£792.89	£196.15
B	£1,153.89	£925.04	£228.85
C	£1,318.73	£1,057.19	£261.54
D	£1,483.57	£1,189.34	£294.23
E	£1,813.24	£1,453.63	£359.61
F	£2,142.94	£1,717.94	£425.00
G	£2,472.61	£1,982.23	£490.38
H	£2,967.14	£2,378.68	£588.46

- 2.11 As Model 3 demonstrated that it held a more balanced position with both financial and social objectives, officers agreed to commission a remodelling of this option with the goal of achieving the required £3.2m saving.
- 2.12 Model 5 is now the proposed model owing to the areas identified earlier and the ability to generate the required savings for the council.
- 2.13 This conclusion has been reached for the following reasons:
- This model moves support from those in receipt of legacy benefits to households in receipt of Universal Credit who would lose support if the current scheme was retained. The effect is to create more equitable support levels between households receiving the two types of benefit support.
 - This model has a re-distributive effect from households in higher Council Tax bands towards those in lower Council Tax bands.
 - With this model only 380 households lose all support compared to 1,064 in Model 1, 5,356 in Model 2, 380 in Model 3 and 472 in Model 4. Page 6 of Appendix 1 sets out the impact of this model in further detail.
 - The proposed scheme would reduce costs by £3.2m from £23,926,325 to £20,752,072. This model is also likely to result in significant administrative savings.

Consultation

- 2.14 The Council is required to publish a draft scheme and consult both major preceptors and other people it considers are likely to have an interest in the scheme before agreeing to a scheme.
- 2.15 The consultation period must be sufficient to allow respondents to properly consider the impact and respond. Current legislation allows authorities until the 11 March each year to have their LCTRS adopted by Full Council.
- 2.16 A consultation of 6 weeks has been suggested to ensure the Council has sufficient time to make computer system updates, test the changes and implement within the live database before Annual Billing work which commences middle to late January.
- 2.17 The post-consultation Scheme will need to be reviewed by the Policy & Resources Committee on 11 December 2018 and recommended for adoption at the 18 December 2018 meeting to meet operational requirements within 2.16.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Council produced five potential Council Tax Support scheme models. Below are the reasons why models 1, 2, 3 and 4 were ruled out. Please see Appendix A for details information on each model.
- 3.1.1 **Model 1** failed to achieve the savings target and owing to the means tested nature meant there was less distribution of support amongst households resulting in 1,064 households losing support completely, when compared to 380 within Model 5.
- 3.1.2 **Model 2** achieved a larger savings total of £3.5m however has a significantly worse social impact.
- 5356 households lose all support compared to 380 under the preferred model.
 - 17 households gain more than £5.00 per week compared to the 692 under the preferred model.
 - This model does not provide the potential to reduce administration time and costs.
 - This model does not provide the opportunity to improve the council tax billing and collection processes.
- 3.1.3 **Model 3** failed to achieve the savings target.

- 3.1.4 **Model 4** failed to achieve the savings target and resulted in more households losing support completely when compared with Model 5.

4. POST DECISION IMPLEMENTATION

- 4.1 The Revenues and Benefits team will publish its draft proposed scheme and comment consultation with its major preceptors and the public.

5. IMPLICATIONS OF DECISION

Corporate Priorities and Performance

- 5.1 The recommendation within this report supports the Council's corporate priorities as expressed through the 2018/19 addendum to the Corporate Plan for 2015-20 which sets out the Council's financial position and highlights a further gap between 2018 and 2020 of £41million.

Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2 The council's Council Tax Support Scheme currently costs the authority £23.930m per year.
- 5.3 At its meeting on the 6th March 2018, Full Council approved the MTFs and detailed revenue budgets which included an assumption of £1.4m additional income relating to a change in the Council Tax Support Scheme for 2019/20. Full Council also approved a change in financial strategy and seeks to balance its resources recurrently, ceasing to utilise reserves to fund ongoing expenditure.
- 5.4 Following a further review of the Council's financial position at the July 2018 Policy and Resources Committee, the requirement to identify further savings or increased revenue was presented.
- 5.5 Within the MTFs considered at the Committee, a funding deficit of £9.8m was identified for 2019/20. This was after an assumption of increasing Council Tax by the maximum allowed under regulation. This also assumed all currently proposed savings were fully achieved and that the adverse budget variance for 2018/19 was fully resolved.
- 5.6 The Policy and Resources Committee considered a forecast of the Council's reserves position in June 2018. This highlighted that non-ringfenced revenue reserves were anticipated to reduce from £41.5m to £7.5m by the end of 2019/20. Clearly this level of reduction is unsustainable and action is required to reduce the draw on reserves going forward.

- 5.7 As a result of the financial position set out within the June and July 2018 Policy and Resources papers a wide range of additional savings are required in order to balance the 2019/20 budget. As a way of reducing to this funding deficit, a further reduction of £0.6m in the cost of the LCTRS is proposed for consideration.
- 5.8 In order to understand the full implications of this proposed reduction in cost the council wishes to undertake a consultation. The outcome of this consultation will inform the recommendations and decisions to be taken by Policy and Resources Committee and Full Council as part of the 2019/20 budget setting process.

Social Value

- 5.9 An impact analysis has been carried out with details in Appendix A. The social impact of the proposed model will be considered in full following the consultation results and an Equalities Impact Assessment (EIA).

Legal and Constitutional References

- 5.4 Section 13A of the Local Government Finance Act 1992 introduced a duty on every billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable, in respect of dwellings situated in its area, by:
- (a) Persons whom the authority considers to be in financial need, or
 - (b) Persons in classes consisting of persons whom the authority considers to be, in general, in financial need.
- 5.5 The above scheme is referred to as the authority's council tax reduction scheme. Section 67 of the 1992 Act requires that revisions to the council tax reduction scheme are reserved to Full Council for a decision.
- 5.6 Schedule 1A sets out the requirements in relation to adoption or revision of a scheme. Paragraph 2 confirms a scheme must state the classes of person entitled to a reduction and that this may be by reference to income, capital, a combination of income and capital, number of dependents and whether an application has been made. Different reductions may be set for different classes. A reduction may be a discount calculated as a percentage, a set amount, expressed as an amount of council tax to be paid or the whole amount of council tax. The scheme must state the procedure by which a person may apply for a reduction and the procedure for appeal. The scheme must comply with prescribed matters set out by the Secretary of State in regulations. Paragraph 5 confirms that a billing authority must consider whether to revise its scheme or to replace it with another scheme for each financial year. Any revisions or replacement must be made no later than 11 March in the financial year preceding that for which the revision or replacement is to have effect. If any revision or replacement has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must

include such transitional provision as the authority thinks fit. When making revisions to a scheme, paragraph 3 applies. Paragraph 3 requires an authority, before making a scheme, to (a) consult any major precepting authority which has power to issue a precept to it, (b) publish a draft scheme in such manner as it thinks fit, and (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

- 5.7 In March 2016, an independent review of local council tax support schemes was published. The Government's response to this was published in January 2018. In response to a recommendation for guidance on the consultation process, the Government responded stating:

“Consultation is an important means of allowing local residents and others to make an input to the decision-making process and helps to ensure that local schemes address the needs of local citizens. It is right that councils should be able to undertake consultation in the most appropriate way without being subjected to a large volume of Government guidance. Local authorities are also best placed to work with their own legal advisers to consider the effect of an evolving body of case law on their own local circumstances and schemes. So, the Government will not issue a separate guidance on consultation.

“Nevertheless, alongside this, councils may wish to consider using the Cabinet Office's general guidance for public authorities on conducting consultations which may assist in simplifying the process.”

- 5.8 In response to a recommendation to give discretion to local authorities in relation to reductions for pension-age tax payers, the Government responding confirming that the current national scheme will continue to apply.
- 5.9 The Government has published the following consultation principles:
- Consultations should be clear and precise;
 - Consultations should have a purpose;
 - Consultations should be informative;
 - Consultations are only part of the process of engagement;
 - Consultations should last for a proportionate amount of time;
 - Consultations should be targeted;
 - Consultations should take account of the groups being consulted;
 - Consultations should be agreed before publication;
 - Consultation should facilitate scrutiny;
 - Government responses to consultation should be published in a timely fashion;
 - Consultations should not generally be launched during local or national election periods.
- 5.10 Case law has determined that consultation must be at a time when proposals are still at a formative stage, sufficient reasons and information must be given

to permit intelligent consideration and an understanding of impact in order to respond, adequate time must be given for consideration and response and the product of consultation must be conscientiously taken into account when making a decision on whether to adopt the proposal.

5.11 Council Constitution, Article 7 (Committees, Sub-Committees, Area Committees and Forums and the Local Strategic Partnership) sets out the responsibilities of the Policy and Resources Committee which includes: To be responsible for Finance including Local taxation.

5.12 Council Constitution, Article 7 (Committees Sub-Committees Area Committees and Forums and the Local Strategic Partnership) sets out the responsibilities of the Urgency Committee which are: To consider any item of business which needs a decision as a matter of urgency and where a meeting of the relevant Committee is not scheduled to take place within the time period within which the decision is required.

6. RISK MANAGEMENT

6.1 The main risks associated with this report is the length of the consultation period. This will be mitigated by a robust consultation process.

7. EQUALITIES AND DIVERSITY

7.1 The 2010 Equality Act outlines the provisions of the Public-Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not
- foster good relations between persons who share a relevant protected characteristic and persons who do not.

7.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

7.3 A full EIA will be carried out prior to a recommended scheme being presented to full council for ratification and in any case following the public consultation. Appendix A contains an Impact Analysis (starting at p59 for the preferred model), this will be used to assist with the EIA.

8. CONSULTATION AND ENGAGEMENT

8.1 This report is requesting authority to consult on suggested changes to our scheme.

9. INSIGHT

- 9.1 The Council via Policy in Practice has considered the demographic data it holds on current LCTRS claimants. This data was anonymised to protect the identity of the claimants.

10. Background Papers

- 10.1 None applicable to this report